

Quick Retirement Budget Worksheet

1. Your current income from employment \$ _____

Add expenses that are expected to rise when you retire:

2. Medical \$ _____

3. Travel and leisure \$ _____

4. Other: _____ \$ _____

5. Subtotal rising expenses (Lines 2 + 3 + 4) \$ _____

Deduct expenses that are expected to decline when you retire:

6. Income taxes (\$ _____)

7. Retirement plan contributions (\$ _____)

8. Savings into non-retirement accounts (\$ _____)

9. Job expenses (\$ _____)

10. Mortgage (\$ _____)

11. Tuition and other child expenses (\$ _____)

12. Other: _____ (\$ _____)

13. Subtotal declining expenses
(Add lines 6 – 12) (\$ _____)

14. Estimated retirement budget
(Add line 1 + Lines 5 – 13) \$ _____

Estimated retirement expenses as a percentage of your current income
(Line 14 divided by Line 1)

Line 14 / Line 1 = ____%

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Line-by-Line Explanations

Medical expenses (Line 2) – Unless you're lucky enough to work for a company that pays lifetime health benefits, it's likely your medical expenses will rise at least somewhat when you're retired and may increase to the tune of several thousand dollars a year. It depends on your own situation and a lot of uncertainty.

Travel and leisure (Line 3) – The leisure afforded by the nonworking life isn't free. Unless you're already taking lavish vacations and indulging in expensive hobbies, be sure to factor some fun money into your retirement expense budget.

Income taxes (Line 6) – Your income taxes will decline when you retire. For starters, you'll no longer have Social Security taxes taken out of your pay. This could reduce your expenses by almost 8%. On top of that, a lower retirement income will result in lower federal and state income taxes, and perhaps property taxes.

Retirement plan contributions (Lines 7 and 8) – These will end when you retire, as well as all or most of any money you save in non-retirement accounts.

Job expenses (Line 9) – Depending on your own job situation, such expenses as commuting, lunches, and job attire will no longer be required. If you're married or partnered, you might even be able to offload one car.

Mortgage (Line 10) – If you pay off your mortgage (or, perhaps, just pay off a home equity loan) between now and the time you retire, this could be a whopping reduction.

Tuitions and other child expenses (Line 11) – If you're currently saddled with tuition and kids at home, these not inconsiderable exactions will, hopefully, be substantially reduced when you retire. Prudence might dictate that all child-related expenses probably not disappear from your retirement budget, since children may always be somewhat needful of the parental purse.

Whatever your situation, you may be delighted to find that your ability to retire in comfort will require quite a bit less than you had been led to believe.